PROJECT PRIME AND THE MARINE CORPS COMPTROLLER: A STUDY AND EVALUATION OF FUNCTIONS AND EXPECTATIONS

by

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PREFACE

The motivation for the selection of this thesis topic is professionally oriented. As a career Marine officer, nearing his twentieth year of service, the author finds himself somewhat parochial in his fields of interest; hence the Department of Defense Project PRIME, a recently implemented innovation to the Department of Defense planning, programming, and budgeting system, has been chosen as a topic.

As a corollary consideration in the selection of this research topic, the author must also address the immediate personal aspects of his choice. Having been unofficially informed that his next tour of duty will be, in all likelihood, in a comptroller position within a Marine Corps Division now located in Vietnam, the author, hopefully, would achieve not only the primary goal of meeting the thesis requirement for the Degree of Master of Business Administration from the George Washington University, but, at the same time, acquire information which would be of considerable value in a comptroller duty assignment.

The author of this thesis is deeply grateful to a host of Department of Defense and service officials who took time from busy schedules to grant interviews and respond to the author's queries, provide reference material, and present their views in a most candid and straightforward manner. Particularly

noteworthy in this regard are: Mr. Thomas S. Johnson, Special Assistant to the Assistant Secretary of Defense (Comptroller); Mr. Laurence E. Olewine, Director of Financial Management and Education, also from the Office of the Assistant Secretary of Defense (Comptroller); Mr. Keene Peterson, an Operations Analyst within the Directorate of Utilization and Management Techniques, Office of the Assistant Secretary of Defense (Manpower and Reserve Affairs); Lieutenant Colonel John A. Cottom, USMC, Assistant Head of the Operations and Maintenance Section, Budget Branch, Fiscal Division, Headquarters, USMC; and Lieutenant Colonel Heman J. Redfield, III, USMC, Head, Management Analysis and Review Section, also within the Fiscal Division at Headquarters, Marine Corps.

While the author is indeed grateful to the aforementioned persons, he must absolve them from any responsibility that might be considered controversial remarks and conclusions.

TABLE OF CONTENTS

LIST OF ILLUSTRATIONS

CHAPTER 1

INTRODUCTION

Since 1961, and the appointment of Mr. Robert S. McNamara as Secretary of Defense, there have been many and significant changes in management concepts and control techniques within the Department of Defense. To a large extent these evolutionary developments have been prompted by necessity; i.e., the escalating cost of national defense as emphasized by national involvement in the recent Korean War (1950-1953); the Lebanon Crisis (1958); the Cuban Crisis (1962); the Dominican Republic Crisis (1965), and, currently, the Vietnam War (1965-?). Of course, the dynamic nature of defense functions is a major contributory factor, particularly the rapid and profuse development of weapons technology and systems, and the extraordinary cost of these systems. Most of these management innovations have been pointed toward improvement of the planning, programming, budgeting, accounting, and decision-making techniques utilized by the Department of Defense.[1]

Perhaps the most significant of these recent changes is a program entitled Project PRIME. This thesis, in succeeding

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[1]Industrial College of the Armed Forces Monograph, Defense Resource Management Systems: Project PRIME (Washington, D.C.: Government Printing Office, 1967), p. 1.

chapters, will provide the reader with a close look at Project PRIME: its relation to the Marine Corps Comptroller, an evaluation of his functions, and, finally progress and expectations. In order to accomplish the task, emphasis will be placed on providing answers to the following questions:

(1) What is Project PRIME?

(2) What is PRIME's effect on the Marine Corps Comptroller's function?

(3) What is PRIME's effect on the Marine Corps financial control system?

(4) What advantages (or disadvantages), if any, will accrue to the commander as a result of PRIME?

If answers to these questions can be determined, then the basic research question: "What is the impact of PRIME on the Marine Corps Comptroller and on financial management within the Marine Corps"? will also be satisfied.

Principal attention will be focused on a conceptual approach to Project PRIME, as PRIME was recently initiated (July 1, 1968) and, therefore, has not generated sufficiently reliable data or experience for illustrative purposes.[1] Although nearly nine months have elapsed since its inception, the reader should realize that with any major overhaul of existing systems, or the initiation of new ones, there are obstacles which must be overcome; e.g., the procurement of

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[1]Lieutenant Colonel John A. Cottom, interview with the Assistant Head, Operations and Maintenance Section, Budget Branch, Fiscal Division, Headquarters, U.S. Marine Corps, Washington, D.C., December 1968.

additional funds and personnel to implement the new system as well as the reorientation of present personnel in the concepts and requirements of the new system. Of course, there is the inherent "operational lag," or that gap from the beginning of a policy change to the attainment of the desired results.[1] To put it another way, the ultimate success or failure of Project PRIME is contingent upon acceptance at all levels within applicable Department of Defense components. The users and reviewers must be convinced that PRIME provides improvement over existing systems at a reasonable cost.[2]

Project PRIME is an acronym for PRIority Management Effort and is a system designed by the Department of Defense for internal Departmental use. As a consequence, traditional reference material and publications (textbooks, private-commercial reviews, periodicals, and writings by learned authors) outside of the Department of Defense are scarce; however, many of the principles espoused by the advocates of PRIME are contained in standard textbooks. This will be evidenced by footnote as the thesis develops.

To keep this treatise in proper perspective, however, research material and references, of necessity, must be drawn

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[1]David J. Ott and Attiat F. Ott, Federal Budget Policy (Washington, D.C.: The Brookings Institution, 1965), p. 71.

[2]Murray L. Weidenbaum, "Program Budgeting"--Applying Economic Analysis to Government Expenditure Decisions, in Planning, Programming, and Budgeting: A Systems Approach to Management, ed. by Fremont J. Lyden and Ernest G. Miller (Chicago: Markham Publishing Co., 1967), p. 171.

mainly from the Department of Defense and Headquarters, Marine Corps, and will include reliance on primary sources of information, such as personal interviews with knowledgeable Defense and Marine Corps officials, and directives internal to the Department of Defense and the Marine Corps. In this regard, the author found the quantity of material available on Project PRIME to be voluminous, conceptual, and, in some cases, repetitious; hence the author has prepared this thesis in the form of a "literature survey" to cull out the extraneous and get to the essence. The citation of action cases and survey reports, however, are meant to be indicative of findings, rather than exhaustive, due to limited experience with this new program.

The study will trace a path, commencing in Chapter II with a history of Project PRIME, which will show Project PRIME's effect on existing systems for programming, budgeting, and management accounting. This chapter will also describe the substance of PRIME, i.e., the new accounting system; Chapter III will transplant PRIME to the environment of the Marine Corps Comptroller and his functions, including funding sources, budgeting and accounting techniques, and military personnel costing. Chapter IV will (1) summarize Congressional reaction, (2) outline the Navy and Marine Corps position, (3) highlight the current status of PRIME as seen through the Department of Defense on-site surveys, and (4) relate some divergent views on Project PRIME. Chapter V will provide a summary and conclusions.

CHAPTER II

PROJECT PRIME DEFINED

Origin

Project PRIME is not new in concept. Mr. George W. Bergquist, Deputy Assistant Secretary of Defense (Comptroller), stated in 1966 with reference to Project PRIME:

> In a real sense, there is nothing new in management. The fundamentals of planning, communicating, motivating, measuring progress and all the rest are the same fundamentals that Moses used on the desert. What is new and what must be new is, of course, the mode of application of these principles, particularly under the impact of new technology in communications and computers. . . .[1]

A more applicable and current analogy would be to look as far back as 1947, when the First Hoover Commission chartered to study the organization of the Executive Branch of the Government, postulated, et al:

> We recommend that the whole budgeting concept should be refashioned by the adoption of a budget based on functions, activities, and projects: this we designate a "performance budget."[2]

This particular recommendation was accepted that same year by Congress who followed closely by amending the National

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[1]George W. Bergquist, Deputy Assistant Secretary of Defense (Comptroller), "Better Ways of Doing Business in the Department of Defense." Address to the 1966 Graduating Class of the Army Comptrollership School, Syracuse University, Syracuse, New York, on July 28, 1966.

[2]Commission on Organization of the Executive Branch of the Government, Budgeting and Accounting: A Report to the Congress (Washington, D.C.: Government Printing Office, 1949), p. 8.

Security Act of 1947, to read:

> To account for, and report, the cost of performance of readily identifiable functional programs and activities, with segregation of operating and capital programs budget estimates of the Department of Defense shall be prepared, presented, and justified, where practicable, and authorized programs shall be administered, in such form and manner as the Secretary of Defense, subject to the authority and direction of the President, may prescribe.[1]

Although there was some discussion by Congress of the kind of budget intended, it may properly be inferred that the thinking of both the Hoover Commission and the members of Congress was shaped primarily by their concern for improving congressional review and for reducing the number and improving the presentation of the programs with which the appropriate committees must deal.[2] In any case, this legislative enactment laid the groundwork for the establishment of "performance budgeting" throughout the Department of Defense. Concurrently, appropriation committees within the Congress redesigned the Department of Defense appropriation structure, reducing the number of accounts from more than 100 into a structure of about forty accounts, which were grouped into five major functional categories: Personnel; Operations and Maintenance; Procurement; Research, Development, Test, and Evaluation; and Military Construction.[3] This categorization follows the First

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[1]National Security Act of 1947, U.S. Code, Vol. X, sec. 2203, (1947).

[2]Jesse Burkhead, Government Budgeting (New York: John Wiley & Sons, Inc., 1956), p. 135.

[3]Industrial College of the Armed Forces Monograph, Defense Resource Management Systems: Project PRIME, p. 2.

Hoover Commission's recommendations, i.e., Military Personnel and Operations and Maintenance appropriations were considered operating programs; Procurement, Military Construction, and Research, Development, Test, and Evaluation appropriations were considered investment, or capital programs. This appropriation structure continues in effect today.[1]

Six years later, in 1955, a Second Hoover Commission was formed in compliance to Public Law 108, enacted by the 83rd Congress. The Commission favorably noted the improvements in the budgetary process as recommended by the First Hoover Commission and, specifically, the National Security Act Amendments of 1949 (PL 81-216). However, in their examination of the Department of Defense, the Commission noted that a great deal of work remained to be done. The Commission found that:

> In the Department of Defense, management control has been attempted in part through the control of funds under an overdetailed and cumbersome allotment structure. The control and accountability for appropriated funds is, of course, essential in order that the Department may comply with the constitutional authority. However, this does not require an allotment system as detailed and meticulous as that which has been employed. The effect of attempting to control operations through such a system has been to place emphasis upon the ability of organizational units to expend not more than predetermined ceilings. The ability to live within such ceilings is not a real gage of performance. In fact, it puts a premium on the ability to expend all allotments since the allotments for one year are used as one indication of the amounts required for the succeeding year. We believe that appropriated funds should be controlled under a system whereby there would be only one allotment to an organizational unit from each applicable appropriation. As a guide to judging performance, accounting systems should be developed within organizational units from which performance in terms of cost can be obtained. Costs of support

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[1]Executive Office of the President, Bureau of the Budget, The Budget in Brief, Fiscal Year 1969 (Washington, D.C.: Government Printing Office, 1968), p. 66.

activities in the Department of Defense have particular significance and to be valid must include, as they do not now, the costs of military personnel employed in them. Cost information together with other performance yardsticks in terms of production or services rendered, should be used to measure performance.[1]

. . . .

To sum up, the present allotment system is a counterpart of the primitive cash system of control which was relied upon in the early days of industry. At the turn of the century many businesses were managed through control of the checkbook. However, as industrial operations became more complex and management required more complete financial information, accounting techniques were developed to meet management needs. As a result industry depends today upon accrual accounting under which costs are ascertainable. Accounting in the Federal Government still is concerned mainly with cash and has not kept pace with the needs of management arising from the ever increasing complexity in Government operations.[2]

In closing its examination the Commission formulated a series of recommendations. Those considered particularly germane to this thesis are as follows:

Recommendation No. 8

That the executive budget continue to be based upon functions, activities, and projects but be redesignated as a "program budget." The program budget should be supported by information of program costs and accomplishments and by a review of performance by organizational units where they do not coincide with program budget classifications.

Recommendation No. 9

That the agencies take further steps to synchronize their organization structures, budget program classifications, and accounting systems.

Recommendation No. 14

That for management purposes, cost-based operating

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[1]Commission on Organization of the Executive Branch of the Government, Task Force Report on Budgeting and Accounting (Washington, D.C.: Goverment Printing Office, 1955), p. 82.

[2]*Ibid.*, p. 71.

budgets be used to determine fund allocations within the agencies, such budgets to be supplemented by periodic reports on performance.

Recommendation No. 21

That Government accounts be kept on the accrual basis to show, currently, completely, and clearly all resources and liabilities and the costs of operations. Furthermore, agency budgeting and financial reporting should be developed from such accrual accounting.

Recommendation No. 24

That in the Department of Defense the accounting procedures be revised to include military pay as an element of cost of support activities of an administrative or service nature.[1]

As with the First Hoover Commission, the Congress reacted favorably to a major portion of these recommendations. By amendment to the Budget and Accounting Procedures Act of 1950, the essence, if not the verbatim language, of the Second Hoover Commission was enacted into public law in 1956. This amendment is quoted in part:

Section 2

(a) The head of each executive agency shall . . . take whatever action that may be necessary to achieve . . . (1) consistency in accounting and budget classifications, (2) synchronization between accounting and budget classifications and organizational structure, and (3) support of the budget justifications by information on performance and program costs by organizational units.

. . . .

(c) As soon as practicable after August 1, 1956, the head of each executive agency shall, in accordance with principles and standards prescribed by the Comptroller General, cause the accounts of such agency to be maintained on an accrual basis to show the resources, liabilities, and costs of operations of such agency with a view to facilitating the preparation of cost-based budgets. . . .

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[1]Ibid., pp. 3-6.

[2]An Act to Improve Governmental Budgeting and Accounting Methods and Procedures, U.S. Code, Vol. XXXI, sec. 66 (1956).

It can be surmised from the rapidity with which both the First and Second Hoover Commissions' recommendations were enacted into law that Congress was extremely desirous for changes and improvement of financial management within the Federal Government. A perusal of the several preceding pages of this thesis would reveal that Congress, by its action, now required that Federal agencies provide:

(1) Consistency and synchronization between programming, budgeting, and accounting classifications by organizational unit.

(2) Cost-based program budgets segregating operating costs from investment costs.

(3) Accrual accounting.

(4) A management reporting system that would measure actual organization performance/progress as compared to planned performance/progress toward approved objectives.

As a parallel and concurrent action to the Budgeting and Accounting Act of 1950, the Joint Financial Management Improvement Program, first conceived in 1947, could now draw statutory authority from this legislation. This Program, under the joint leadership of the Comptroller General, the Secretary of the Treasury, and the Director of the Bureau of the Budget, had three objectives: (1) to provide the agencies with the tools to assist in improved planning, execution, and control of operations and thus encourage better management in the Executive Branch, (2) to provide the Congress with more meaningful information for use in acting on appropriations and

other legislation, and (3) to enable the public to obtain a clearer picture of the financial condition and operations of the Federal Government.[1]

Based on recommendations of this "troika," President Johnson released in May, 1966, a memorandum to all agencies and departments which provided renewed emphasis for the improvement of financial management within the Federal Government. The President expressed concern over the lagging progress in this area by stating:

> I have a strong and continuing interest in the development of business-like financial systems throughout the Federal Government. . . . We must have financial systems which:
>
> --provide the information our managers need for effective cost control--for waging the war on waste,
>
> --develop cost consciousness in men and women at every level of responsibility in every agency,
>
> --assure financial integrity in everything the Government does,
>
> --provide the types of financial data needed to support the planning-programming-budgeting system initiated . . .
>
> --enable the Government to apply the best and most efficient management and operating techniques.
>
> The legislative groundwork for this program was laid sixteen years ago. While much progress has been made much more is necessary if we are to discharge the responsibility placed upon us by the Budget and Accounting Procedures Act of 1950. Accordingly, I request the head of each executive department and agency to take immediate action to:
>
> --Insure that the system of accounting and internal control

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[1]Comptroller General of the United States, Accounting Principles and Standards for Federal Agencies (Washington, D.C.: Government Printing Office, 1965) (revised 1967), p. 2-2.

in his agency meets management needs and conforms to the principles, standards, and related requirements prescribed by the Comptroller General.

. . . .

--Assure that financial reports and cost data provide adequate support for the planning-programming-budgeting system.

--See that the agency's managers are given the basic tools they need--responsibility centered cost-based operating budgets and financial reports--for setting and achieving maximum cost reduction goals.

. . . I want every manager--the general manager and the financial manager alike--to feel and respond to your personal demands for the use of highest quality, business-type financial information systems.

. . . .

I want every manager to think of his part of the total Government in terms of everything he owns, everything he owes and the full cost of doing every job in relation to the products resulting from these costs. I want him to think of minimal costs and cost reduction as profit. . . .[1]

The President's memorandum was followed by the Secretary of Defense's memorandum to all the military departments, et al. This memorandum acknowledged the Presidential memorandum, further amplified its intent, and set forth specific changes that soon would be forthcoming in the financial management of all operating activities financed by the Military Personnel and Operations and Maintenance appropriations. These planned changes were stated as:

(1) A new accounting structure is being designed with accounts arranged so that they will provide information in the form needed (a) for programming, (b) for budgeting, and (c) to assist management in operations. This will permit the integration of the programming, budgeting, and management processes.

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[1]U.S. President Memorandum for the Heads of Departments and Agencies, dated May 24, 1966, pp. 1-2.

(2) The focus will be on outputs and on resources used, that is, on expenses. This requires that the costs financed separately by the Military Personnel and Operations and Maintenance appropriations be merged for DOD management purposes, /into a single operating budget/ although the separate identity of these appropriations will be maintained so as to meet external requirements unless the Congress requests that they be combined.

(3) To the extent feasible, consumable items will be moved from the procurement appropriations to the operating appropriations, and capital items will be moved from the operating appropriations to the procurement appropriations. /This purification process will permit a more accurate reflection of actual operating expenses chargeable to the operations and maintenance appropriations./

(4) Working capital funds or accounts will be used extensively to hold resources in suspense between the time and place of acquisition and the time and place of consumption. /The extension of working capital permits the charging of items paid from investment-type appropriations to be charged to operations and maintenance appropriations when issued./

(5) Management reports will be structured in terms of organizational responsibility and will relate actual performance to planned performance and actual expenses to planned expenses.[1]

Subsequently, it was further stated that the foregoing changes would be implemented on July 1, 1967.[2]

The magnitude of these changes in programming, budgeting, and accounting, coupled with the short time element, i.e., slightly more than one year prior to planned implementation, prompted the acronym and short-title Project PRIME, or PRIority Management Effort.[3]

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[1]U.S. Secretary of Defense Memorandum to the Military Departments, et al., dated June 13, 1966, pp. 1-2.

[2]Ibid., p. 2.

[3]Industrial College of the Armed Forces, Defense Resource Management Systems: Project PRIME, p. 3.

Integration of programming, budgeting, and accounting

As applied to the Department of Defense, the urgent need for improved financial management expressed in the Presidential memorandum was not a new subject. In 1949 Mr. Wilfred J. McNeil, the first Comptroller of the Department of Defense, had designed and commenced implementation of a "performance-type budget." In 1961 Mr. McNeil was succeeded by Mr. Charles J. Hitch as Assistant Secretary of Defense (Comptroller). During his tenure in that office (1961 to 1965), Mr. Hitch continued the trend toward a performance-type budget with the development and implementation of the Five-Year Force Structure and Financial Plan (redesignated as the Five-Year Defense Program in 1965), although no comprehensive effort was made to relate these individual management systems to each other, i.e., programming to budgeting.[1] Secretary of Defense McNamara, early in his tenure, noted:

> The effective management of approved programs also requires a reporting system that keeps top officials constantly informed of the progress being made in achieving established objectives--in both physical and financial terms on the basis of program entities and not merely in terms of bits and pieces of programs financed in various appropriation accounts.[2]

As recently as 1965, Melvin Anshen, a noted author on budgetary matters, commented on the Federal Budget in similar terms:

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[1]*Ibid.*

[2]U.S. Department of Defense, *Annual Report of the Secretary of Defense, July 1, 1960 to June 30, 1961* (Washington, D.C.: Government Printing Office, 1962), p. 27.

> . . . It presents requests (and consequent appropriations) in terms of direct objects of expenditure, such as "personnel" or "vehicles." Rarely can these objects of expenditure be related in any meaningful way to specific administrative programs, even when these programs fall within the scope of a single executive department. . . .[1]

Programming in 1961 was in terms of mission-oriented combinations of men, material, and installations. For example, Program II (General Purpose Forces) and the Five-Year Defense Program, consisted of program elements, such as Navy Carrier Wings, Army Divisions, Marine Divisions, etc. On the other hand, budgeting and financial accounting for these organizations remained structured in terms of object classes, e.g., military personnel, procurement of supplies/equipment, operations and maintenance, without regard to organizational entity or mission. To translate a program into a budget necessitated a laborious and inaccurate conversion process of fund requirements of the functional entities and organizations within the Five-Year Defense Program to the input-oriented appropriation structure of the President's budget.[2] In short, neither the performance budget, nor the accounting system of the Defense Department, corresponded to the present

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[1]Melvin Anshen, "The Federal Budget as an Instrument for Management and Analysis" in Program Budgeting: Program Analysis and the Federal Government, ed. by David Novick (Cambridge: Harvard University Press, 1965), p. 13.

[2]Lieutenant Commander Steven Lazarus, USN, "Planning-Programming-Budgeting Systems and Project PRIME," in Planning, Programming, Budgeting: A Systems Approach to Management, ed. by Fremont J. Lyden & Ernest G. Miller (Chicago: Markham Publishing Company, 1967), p. 363.

program structure.[1] The results of this gap were threefold:

> (1) The authority for the use of resources did not always match the responsibility given to commanders for mission accomplishment. To the extent this is so, the commander was inhibited in taking the resource actions necessary to fulfill his mission responsibilities.
>
> (2) The accounting structure did not produce information on actual resources used in the categories /of the Five-Year Defense Program/ in which planning decisions are made. Therefore, the accounting records did not provide information that can be used for determining whether cost estimates had been relatively accurate, and/or that they can be used as a basis for future planning in the same terms.
>
> (3) Because the accounting system had not been structured in the terms used in planning, top managers found it difficult, and in some cases nearly impossible, to determine whether the decisions had been implemented in the way that was intended. . . .[2]

Upon the appointment of Dr. Robert N. Anthony in 1965, as Assistant Secretary of Defense (Comptroller), his inherited task was to mesh these functions so that the program, the budget, the accounting system, and the reporting systems would be comparable; i.e., to design a system that would lay the groundwork for budget submission to the Congress in mission-oriented terms, provide an accounting system reconcilable to the appropriation structure, and have the capability for progress reporting against each program.

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[1]Arthur Smithies, "Conceptual Framework for the Program Budget," in Program Budgeting: Program Analysis and the Federal Government, p. 34.

[2]Comptroller General of the United States, "Opinion on the Accounting System for Operations Proposed for Implementation July 1, 1968, in accordance with Section 640 (b) of the Department of Defense Appropriation Act, 1968, Report to the Congress"(Washington, D.C.: Government Printing Office, 1968), p. 8.

To accomplish this task, a "common denominator," or framework, had to be defined and established wherein all service organizational units, functions, and activities could be categorized and identified by mission. While such a framework already existed within the Department of Defense, i.e., the Five-Year Defense Program, it should be recalled that the programming structure was designed and implemented during a six-month period in 1961.[1] Although refinements had been applied since its inception, the magnitude of Project PRIME necessitated a further overhaul of the Department of Defense programming system to include a reexamination and reevaluation of the existing Five-Year Defense Program. Hence, each program and program element was reviewed in light of three criteria:

(1) Was it an operating tool for the Defense manager?

(2) Would it allow both broad aggregation of data and detailed presentation of data that would be meaningful to different managers?

(3) Would it allow the application of a systematic means of measuring actual use of resources against planned and approved programs?[2]

Results of this review both redescribed and increased the number of major programs within the Five-Year Defense Program from nine to ten, as follows:

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[1]George W. Bergquist, "Better Ways of Doing Business in the Department of Defense."

[2]U.S. Department of Defense Handbook 7045.7H, FYDP Program Structure-Codes and Definitions (Washington, D.C.: Government Printing Office, 1967), pp. 1-2.

Program I -- Strategic Forces

Program II -- General Purpose Forces

Program III -- Intelligence and Communications

Program IV -- Airlift and Sealift Forces

Program V -- Guard and Reserve Forces

Program VI -- Research and Development

Program VII -- General Supply and Maintenance

Program VIII-- Training, Medical, and other General Personnel Activities

Program IX -- Administration and Associated Activities

Program 0 -- Support of other Nations[1]

The restructuring of basic programs permitted Defense top managers to more clearly distinguish at the major program level: (a) those activities directly related to defense posture on which independent decisions could be made, and (b) those activities whose size and resources were essentially dependent on the size and position of the independent activities.[2]

As a result of this restructuring, Programs number I through VI, and 0 are now considered to be independent programs. Programs number VII, VIII, and IX are considered to be dependent

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[1]*Ibid.*

[2]Industrial College of the Armed Forces, *Defense Resource Management Systems: Project PRIME*, p. 18.

programs.[1]

A parallel effort was also made to reexamine and redefine the individual program elements within the major programs. The program element had to be related to units or organizations and specifically to that level where one person, a commander or manager, is identifiable as responsible within each program element. Each program element could then describe a program and serve as a device for collecting organizational costs.[2] Results of this review increased the number of program elements from approximately 850 to more than 1100 program elements.[3]

Particular emphasis in redesign and revamping the Five-Year Defense Program was localized in Program VII, then titled General Support. Heretofore, there had been too large a grouping of program functions in support of independent programs, definitions of program elements had not been consistent, operating expenses were not, therefore, readily relatable to missions. If visible, these operating expenses were unreliable due to differences in definitions and accounting methods.[4]

Dr. Anthony noted an example of these inconsistencies in a recent address before the Defense Management Class at the

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[1]Department of Defense Handbook 7045.7H, FYDP Program Structure-Codes and Definitions, p. 3.

[2]Industrial College of the Armed Forces, Resource Management Systems: Project PRIME, p. 19.

[3]Ibid., p. 22.

[4]Mr. George W. Bergquist, "Better Ways of Doing Business in the Department of Defense."

Naval Postgraduate School:

> The Five-Year Defense Program as it appeared in 1966 would lead you to think that the Air Force spent about 4 times what the Navy spent on that program /the program element, general procurement, and supply operations/. Actually the situation is not at all like this. Most of the apparent differences arise from inconsistencies in the definitions used by the Air Force and the Navy. For example, the Air Force included its supply depots in this program, whereas the Navy included its tidewater supply depots under a different program. If we applied the Navy criteria to the Air Force, the Air Force's reported cost would come down to $316 million. There are a lot of these inconsistencies and they have certain obvious consequences. . . .[1]

With the purification of the programming structure and standardization of program element definitions within the Five-Year Defense Program, a common reference point, i.e., a standard program element, had been established for which resources could be provided and against which costs could be accumulated.

What was urgently needed (and provides the subject of this thesis), was a uniform accounting system that would "bridge the gap" between programming, which was conducted within the mission structure of the Five-Year Defense Program; budgeting, which was conducted within the Congressional appropriation structure; and accounting and management, which was conducted within the organizational structure of the services.

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[1]Robert N. Anthony, "PRIME 69," Kinescope Tape Address to the Defense Management Class, Naval Postgraduate School, Monterey, California, April 5, 1968.

Evolution of change in Defense accounting

The foregoing sections, commencing with reports of the First and Second Hoover Commissions (1949 and 1955) followed by the Budget and Accounting Procedures Act of 1950, as amended in 1956, demanded improvements leading to more effective programming, budgeting, accounting, and financial reporting within the Federal Government agencies. The Comptroller General, in 1952, had expanded on this need concerning the accounting aspects in a general letter and series of memorandums culminating with the promulgation of the General Accounting Office Manual "Accounting Principles and Standards for Federal Agencies." Subsection 11.2 of Title 2 states: "The preferred account structure for Federal agency activities is one in which accounts relating to all sources of funds used to finance such activities are incorporated into a single integrated accounting system."[1]

Subsection 8(c) of Title 2 states, "New organizational arrangements, shifting emphasis on program activities, revised legislation, and technological changes require appropriate changes in accounting systems so that the information produced can continue to be useful in exercising financial control over resources and in promoting efficiency and economy in Government operations."[2]

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[1]Comptroller General of the United States, Accounting Principles and Standards for Federal Agencies, p. 2-24.

[2]Ibid., p. 2-18.

Why the Federal agencies, and in particular the Department of Defense, failed to take more prompt action is beyond the purview of this thesis, yet a short treatment of this aspect is considered appropriate for background. Perhaps some of the delay could be attributed to Mr. Charles J. Hitch's views as Assistant Secretary of Defense (Comptroller) when he stated in 1965:

> Costs are measured in terms of what we call "total obligational authority"--the amount required to finance the program element in a given year, regardless of when the funds are appropriated by the Congress, obligated, placed on contract or spent. Now, admittedly, this is something of a compromise. <u>Ideally, I suppose, the program should be costed in terms of accrued expenditures, which is closest to the concept of resources consumed. However, the accounting difficulties appeared so overwhelming that we did not attempt that approach. Moreover, as long as the budget is in terms of obligational authority, the program must be, for the program has to be firmly anchored to the budget. We do not even find it necessary to cost individual program elements in terms of cash expenditures.</u> We have a much better idea of the full cost of 100 MINUTEMAN missiles, for example, than of the phasing of the actual expenditures year by year. And from the point of view of planning and decision-making we are far more interested in the full cost of program--in "cost to complete" than in the precise phasing of the costs.[1] (Emphasis supplied.)
>
> . . . Indeed, it has been my observation that it is much easier to change policy than to change procedures. Perhaps the reason is that policy involves a relatively small group of people at the very top of the Defense organization while procedures involve literally tens of thousands, if not hundreds of thousands, throughout the entire establishment and the way in which they have been doing things day after day, year after year. . . .[2]

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[1]H. Rowan Gaither Lectures, a series of four lectures by Charles J. Hitch, Assistant Secretary of Defense (Comptroller), on "Decision-Making in the Department of Defense," University of California, Berkeley, April 5-9, 1965.

[2]<u>Ibid</u>.

It bears repeating, that major innovations embodied in projects like PRIME must receive the active support of all managers from the top down. It could be inferred that Mr. McNeil was not enthusiastic on Project PRIME concepts. However, propensity for change was a by-word during the tenure of Secretary of Defense McNamara. In a 1961 television interview, after being in office less than one month, Secretary McNamara defined his managerial philosophy as follows:

> I think that the role of public manager is very similar to the role of a private manager; in each case he has the option of following one of two major alternative courses of action. He can either act as a judge or a leader. In the former case, he sits and waits until subordinates bring to him problems for solution, or alternatives for choice. In the latter case, he immerses himself in the operations of the business or the governmental activity, examines the problem, the objectives, the alternative courses of action, chooses among them, and leads the organization to their accomplishments. In the one case, it's a passive role; in the other case, an active role. . . . I have always believed in and endeavored to follow the active leadership role as opposed to the passive judicial role.[1]

Secretary McNamara's enthusiasm and drive continued to pervade the Defense Department; hence in 1965, after the departure of Charles J. Hitch, Robert N. Anthony was specifically asked by the Secretary of Defense to make major changes in the Defense accounting systems, *et al*.[2]

Accounting system for operations

Utilizing the Five-Year Defense Program, the President's

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[1] *Ibid.*

[2] Industrial College of the Armed Forces, *Defense Resource Management Systems: Project PRIME*, p. 3.

budget, and the Congressional appropriation structure as guides, Dr. Anthony and his staff proceeded to design an integrated matrix of accounts, or a "crosswalk," consisting of functions and expense elements that would be comparable to the programming process of the Department of Defense, the budgeting process of the President's budget, vis-à-vis the appropriations process of the Congress, while providing a progress reporting system which would be useful to managers at all levels.

An outline for the integrated system of accounts was first designed and promulgated in December of 1966; thence revised and updated to its current form. Particularly cogent to this chart of accounts are several terms:

> Operating budget.--An approved operating plan which is the basis of authorization and financial control of expenses and selected working capital in the execution of a program or programs.

> Operating activity.--A major organizational subdivision or entity that is responsible for execution of an identifiable segment of a program.

> Program element.--The basic building block of the Five-Year Defense Program that is a description of the mission to be undertaken and a collection of the organizational entities identified to perform the mission assignment. Elements may consist of forces, manpower, materials, services and associated costs as applicable.

> Functional category.--Functional categories are designed to collect expense information for one or more of the following reasons: (1) the cost of the function is required to meet restrictions made by the Congress or to meet the needs of outside parties; (2) information on the cost of a function is useful in deciding on the authorization to be provided to an operating activity; (3) the cost of the function provides a control tied to an underlying cost accounting system needed for management of the

function, and (4) the cost of the function is useful in making comparisons and special analyses of cost.

Expense element.--Expense elements specify the type of resource being consumed in the functional category or program element. This information is useful in planning requirements and in the analysis of performance. This information is also needed for "object class" reports prescribed by the Bureau of the Budget and other outside agencies.[1]

With these definitions in mind, the combined expense information requirements of the Department of Defense, the Congress, and the Bureau of the Budget were grouped into thirteen functional categories and eighteen expense elements as follows:

Functional categories

1. Mission Operations
2. Supply Operations
3. Maintenance of Material
*4. Property Disposal
5. Medical Operations
*6. Overseas Dependent Education
7. Personnel Support
8. Base Services
*9. Operation of Utilities
*10. Maintenance and Repair of Real Property
*11. Minor Construction
12. Other Engineering Support
13. Administration

Elements of expense

1. Military Personnel (at standard rates)
2. Military Trainees (at standard rates)
3. Military Unassigned (at standard rates)
*4. Civilian Personnel
*5. Travel of Personnel
*6. Transportation of Things
*7. Utilities and Rents
*8. Communications
9. Purchased Equipment Maintenance (Department of Defense)

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[1]U.S. Department of Defense Instruction 7220.20, Expense Data Requirements, dated April 11, 1968, p. 2.

10. Purchased Equipment Maintenance (Commercial)
11. Printing and Reproduction
*12. Other Purchased Services
13. Aircraft, Petroleum, Oils and Lubricants
14. Ship Petroleum, Oils and Lubricants
*15. Other Supplies
*16. Equipment
17. Other Expenses
18. Service Credits[1]

The reader should note that those functional categories and expense elements annotated with an asterisk match the President's budget and the financial reporting requirements of the Congress in connection with the appropriation process. Those unannotated items represent additional Department of Defense reporting requirements in response to Project PRIME.

In addition, the Department of Defense directed:

> Expense accounts will be established in such a way that expenses are collected for each expense element, within each functional category, within each program element applicable to the operating activity.[2] (Emphasis supplied.)

and allowed that:

> DOD components may add to the expense information prescribed to meet its management needs, but this additional information must reconcile without proration or allocation to the foregoing expense accounts.[3]

The Comptroller General most aptly described this system as:

> A greater range of expenses will be brought into the revised accounting system. Each activity will budget and account for goods and services which had previously been received free, including personnel expenses.[4]

> . . . through the use of detailed accounts according to organization, the Department of Defense is able to attain

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[1]*Ibid.*, enclosure (1), pp. 1-3.

[2]U.S. Department of Defense Instruction 7220.20, p. 2.

[3]*Ibid.*, p. 3.

[4]Comptroller General of the United States, *Report to the Congress*, p. 20.

a match between its internal accounts and the classifications of the President's budget. This makes it possible for the Department to use a management control system internally which focuses on missions and a uniform chart of accounts, and also retain its ability to comply with its reprogramming agreements with the Congress in terms of the conventional budget classifications.[1]

In brief, the system of accounts could be schematically summarized as:[2]

1100 Program elements
. . . Who is consuming the resources?
F-4 Squadrons?
Marine Divisions?

13 Functional categories
. . . Why are the resources being consumed?
Operation of utilities?

18 Expense elements
. . . What kind of resources are being consumed?
Military personnel?
Civilian personnel?

Shortly after the promulgation of the functional and expense element matrix, the Department of Defense released another lengthy and detailed directive, which described the mechanics of the accounting process. The more significant portions have been extracted as follows:

> A double-entry system of accounts will be established and maintained for each DOD Component headquarters, intermediate command, and operating activity responsible for the administration of operating budgets and related appropriations. . . .
>
> . . . .

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[1] *Ibid.*, p. 64.

[2] U.S. Marine Corps Order P7300.9B, *A Financial Guidebook for Commanders* (Washington, D.C.: Government Printing Office, 1969), p. 8.

> The accrual basis of accounting will be used in accounting for operating budgets and appropriations; that is, to the extent practicable, expenses and liabilities will be recognized in the accounts during the period in which they are incurred, whether or not payment has been made; . . . Deviation from the accrual basis of accounting will be governed by the prior approval of the Assistant Secretary of Defense (Comptroller), . . .
>
> . . . .
>
> Military personnel services will be charged to expense accounts in accordance with /standard rates/.
>
> . . . .
>
> Depreciation expenses, the cost of interest on the investment of the Government in an operating activity, the rental and related costs of facilities provided by others on a nonreimbursable basis, the cost of leave accrued but not taken, and the cost of other resources not payable from /Military Personnel or Operations and Maintenance appropriations/ will not be included in the accounting system for operations.
>
> . . . .
>
> A service charge and credit technique will be used to identify the responsibility center or cost center ultimately responsible, . . .
>
> . . . .
>
> The accounts, "Undelivered Orders" or "Change in Undelivered Orders," will be used to hold in suspense the value of orders and contracts outstanding and the value of resources applied to changes therein until incurrence of the expenses. . . . Subsidiary change in undelivered orders records will be maintained in the detail required to permit derivation of obligation data in terms of budget activities in the President's budget.[1]
>
> . . . .

Dr. Anthony, forecast and summarized these directives well in advance of their publication when he said in an address before the Thirteenth National Awards Banquet of the Armed Forces Management Association (1966):

> The focus is on expenses, that is, on the resources consumed by organizational units in carrying out their part of the program. Resources include labor, material, and services. The programming system has for years

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[1]U.S. Department of Defense Instruction 7220.22, Accounting System for Operations, dated May 16, 1968, pp. 2-7.

> reported expenses by program element, but the budgeting and accounting systems do not. In the budgeting and accounting systems less than half of the resources actually used by a typical organization are reported as costs of that organization. Our long-range goal is to charge an organization unit with 100 per cent of the measurable expenses that it incurs.
>
> By expenses, I mean an organization's personnel costs, military, as well as civilian; I mean the supplies used by organization, including spare parts and other consumable material now carried in procurement accounts; the services received by the organization, including both services purchased from outside suppliers and maintenance, repair and services received from other units within DOD. By the word measurable, I mean to exclude allocated and prorated costs. We do not propose to charge each aircraft squadron with a share of Secretary McNamara's salary; we do not even propose to charge the squadrons on a base with a share of the administrative costs of the base. Nor do we have any intention of calculating a depreciation charge for an Army tank. Moreover, we propose that services be charged to benefiting units only when a practical inexpensive way of measuring the costs of such services can be developed.[1]

Summary

The origin and evolution of Project PRIME commenced with the First and Second Hoover Commission reports submitted to the Congress in 1949 and 1955, respectively. Its foundation is rooted within the laws of the land, specifically the Budget and Accounting Procedures Act of 1950, as amended. Should the reader desire to recapitulate the essence of Project PRIME, he has only to note the preceding pages containing prior documentation and legislative enactments. Assistant Secretary of Defense (Comptroller), Robert N. Anthony, the most recent and active proponent of Project PRIME, summarized it more succinctly in

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[1]Robert N. Anthony, Assistant Secretary of Defense (Comptroller), "Management Uses of Expense Information," an address before the Thirteenth National Awards Banquet, Armed Forces Management Association, October 13, 1966.

an address before the Federal Government Accountants Symposium:

> You have asked me to describe Project PRIME, and this I can do in one sentence: Project PRIME involves the development and installation of expense accounting for operating activities in the Department of Defense. Really, for an audience of professionals such as this is, that is all I need to say.
>
> I need not add that the system associates expenses with managers responsible for incurring them, for any good expense accounting system does that.
>
> Nor need I add that the expenses are related to work performed; and that the accounting system is integrated with the programming and budgeting systems; and that expenses are separated from asset acquisitions; and that the transactions are under debit-and-credit control and hence auditable--for these are all perfectly obvious characteristics. In fact, Project PRIME is a quite ordinary kind of expense accounting system; there are no sophisticated techniques or new accounting breakthroughs that we claim for it.[1]

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[1]Robert N. Anthony, Assistant Secretary of Defense (Comptroller), "Some Problems in Communication," an address before the Federal Government Accountants Symposium, June 14, 1967.

CHAPTER III

EFFECT ON THE MARINE CORPS COMPTROLLER

Chapter II described Project PRIME as an "expense accounting system," designed for use by the Department of Defense activities. To best portray its effect on the Marine Corps Comptroller, it will be necessary to review briefly the functions of the Comptroller, the source of funds, and budgeting and accounting processes prior to Project PRIME; thence explain these processes upon the application of Project PRIME. Changes noted will be, for practical purposes, the major effect of PRIME.

Functions of the Comptroller

In addition to stating the requirements for the Department of Defense to prepare a "performance budget," the National Security Act Amendment of 1949 (PL 81-216) also established the position of the Assistant Secretary of Defense (Comptroller) and that of a comptroller for each military department. Title IV to the Act sets forth the duties of the Defense Comptroller and those of the military departments as follows:

> Section 401. . . . The Comptroller shall advise and assist the Secretary of Defense in performing such budgetary and fiscal functions as may be required to carry out the powers conferred upon the Secretary of Defense by this Act, including, but not limited to, those specified in this

subsection. Subject to the authority, direction, and control of the Secretary of Defense, the Comptroller shall--

(1) supervise and direct the preparation of the budget estimates of the Department of Defense; and

(2) establish and supervise the execution of--

(a) principles, policies, and procedures to be followed in connection with organizational and administrative matters relating to--

(i) the preparation and execution of the budget,

(ii) fiscal, cost, operating, and capital property accounting,

(iii) progress and statistical reporting,

(iv) internal audit, and

(b) policies and procedures relating to the expenditure and collection of funds administered by the Department of Defense; and

(3) establish _uniform terminologies, classifications, and procedures in all such matters_. (Emphasis supplied.)

Section 402

(a) The Secretary of each military department, subject to the authority, direction, and control of the Secretary of Defense, shall cause budgeting, accounting, progress and statistical reporting, internal audit and administrative organizational structure and management procedures relating thereto in the department of which he is the head, to be _organized and conducted in a manner consistent with the operation of the Office of the Comptroller of the Department of Defense_. (Emphasis supplied.)

(b) There is hereby established in each of the three military departments a Comptroller of the Army, a Comptroller of the Navy, a Comptroller of the Air Force, as appropriate in the department concerned. There shall, in each military department, also be a Deputy Comptroller. Subject to the authority of the respective departmental Secretaries, the comptrollers of the military departments shall be responsible for all budgeting, accounting, progress and statistical reporting, and internal audit in their respective departments and for the administrative organizational structure and managerial procedures relating thereto. . . .[1]

The Marine Corps, although not a military department per se, paralleled this statutory organization by the establishment of a similar position--the Fiscal Director of the Marine

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[1]National Security Act Amendments of 1949, _U.S. Code_, Vol. X, sec. 5001 (1949).

Corps. The present incumbent, Mr. James F. Wright, is assigned the following duties:

> 1. Mission.--The Fiscal Director of the Marine Corps is responsible to the Commandant of the Marine Corps for the formulation of fiscal policy and for fiscal and disbursing administration in the Marine Corps, to the end that fiscal and disbursing actions, policies, and procedures of the Marine Corps will be in conformity with law, good business practice, and applicable policies, procedures and regulations issued by higher authority. (Emphasis supplied.)
>
> 2. Functions.--
>
> (a) Assists, advises, and acts for the Commandant of the Marine Corps in all matters pertaining to fiscal policy and administration.
>
> (b) Has complete responsibility for maintaining records, reporting and administering all appropriated funds . . .
>
> (1) Develops and supervises an integrated financial accounting system.
>
> (2) Is responsible for accounting for all appropriated funds . . .
>
> (3) Develops and supervises all financial reporting and appropriate cost and plant accounting systems to accumulate data for command analysis and action.[1]

. . . .

Concurrent to the establishment of the position of Fiscal Director, Marine Corps, comptroller billets were also established at all major posts and stations and within major Fleet Marine Force commands. The duties and functions of these comptrollers are generally described in the Marine Corps Staff Manual as follows:

> 209. The Comptroller.--Plans, coordinates and supervises matters pertaining to the broad areas of financial management to include appropriated and nonappropriated fund activities. His purview includes planning for, and coordination and supervision of the following:

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[1] U.S. Marine Corps Headquarters Order P5000.3A, Headquarters Manual (Washington, D.C.: Government Printing Office, 1964), Chapter 6, p. 3.

(a) Budgeting.--Guidance and instruction for budget matters; review of the resource requirements and justifications of the various programs of the command; compilation of the annual budget; recommending allocation of funds available for approved operating programs (including pay of civilian personnel), and revisions thereof when required; preparation of appropriate budget directives and instructions; initiation of action for financial adjustments required by changes in amount of funds made available; and improvement of financial efficiency.

(b) Accounting.--Maintenance of required records, including records of obligations and expenditures against allotments and project orders; maintenance of records for the plant property account and for financial transactions of all classes of property; for civilian pay, leave and retirement; <u>preparation of accounting reports; supervision of cost accounting operations; submission of property returns; supervision of timekeeping operations; and preparation of civilian payrolls</u>. (Emphasis supplied.)

. . . .

(d) Progress and Statistics.--Develop guides and criteria for the collection and coordination of statistical data; supervise the preparation of special statistics.[1]

A comparison of the aforelisted functions of comptrollers within the hierarchy of the Department of Defense, from the organizational unit to the Assistant Secretary of Defense (Comptroller), would indicate near perfect synchronization and continuity. Certainly, no changes are required in prescribed comptroller functions to accommodate Project PRIME. It seems to be a matter of emphasis--emphasis on cost accounting.

<u>Source of funds</u>

Funds for the planned operation of the Marine Corps for each fiscal year are contained in a Department of Defense Appropriation Act, as decreed by the Congress and approved by the President of the United States. Within the most recent

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[1]U.S. Marine Corps, <u>United States Marine Corps Staff Manual</u> (Washington, D.C.: Government Printing Office, 1955), Chapter 2, p. 4.

Department of Defense Appropriation Act (Fiscal Year 1969), there are four separate appropriations sponsored by and granted directly to the Marine Corps, as follows:[1]

Title	Total FY 69 (in millions)*	Per cent of Total**
Military Personnel, Marine Corps	$1,600	58
Reserve Personnel, Marine Corps	40	1
Procurement, Marine Corps	670	24
Operations & Maintenance, Marine Corps	465	17
Total	$2,775	100%

*Rounded to nearest ten million
**Rounded to nearest per cent

Approval by Congress of these appropriations does not make funds available for use by the Marine Corps. Administrative authority must first be obtained from the Bureau of the Budget through the Department of Defense. Prior to July 1, 1968, administrative authority was obtained following a request from the Commandant of the Marine Corps for apportionment of the appropriation by fiscal quarters. When this had been approved, additional authority was requested from the Comptroller of the Navy for an allocation of the approved apportionment by budget activity. Upon favorable endorsement of both requests, no further authority, external to the Marine Corps, was required prior to allotting funds for use by field commands.[2] Subsequent allotments to the field were then based

[1]Lieutenant Colonel John A. Cottom, USMC, interview.

[2]U.S. Marine Corps Order P7200.8A, Financial Accounting Manual (Washington, D.C.: Government Printing Office, 1964), Chapter II, p. 3.

upon field budget estimates included in the budget submitted to Congress.

Commencing on July 1, 1968, this process has expanded; in order for Headquarters, Marine Corps to obtain apportionment, appropriations must also be recast and redefined for the Department of Defense in a new format, the "operating budget," with new terminology as follows:

(a) Direct expenses.--Obligational authority in terms of the Five-Year Defense Program (FYDP), including military personnel expenses at standard rates, i.e., a combination of military personnel and operations and maintenance appropriations.

(b) Change in undelivered orders.--Change in obligational authority already received, but which has not yet been expended.

(c) Total direct operating budget.--Sum of items (a) and (b), above.

(d) Total reimbursable program authorized.--Standing work orders from other Department of Defense components and governmental or nongovernmental agencies external to DOD, e.g., some types of aircraft maintenance and the excess property disposal program.

(e) Total operating budget.--Sum of items (c) and (d), above.[1]

Similarly, the budget submission for Fiscal Year 1969, consisting of a consolidation of field requirements and departmental headquarters requirements, was expanded to include Department of Defense information requirements prepared in the following manner:

(1) Translating the planned input for each cost account within each cost center into civilian and military labor hours, material requirements, overhead applications,

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[1]Secretary of Defense Memorandum for the Secretaries of the Military Departments, et al., Administrative Control of Operating Budgets, dated February 21, 1968, p. 1.

when applicable, and work or services to be performed by other cost centers, or responsibility centers, or by contract;

(2) applying realistic dollar estimates to each of the above;

(3) totaling the dollar estimates for each cost center, thus providing the planned operating budget for internal use; and

(4) recasting the activity's total operating budget in terms of functional categories and elements of expense, for submission to higher authority.[1]

A comparison of the two processes; i.e., preparation of budget requests and subsequent allotment of approved obligational authority with the accounting system used to report obligations of funds, expenditures, etc., reveals many similarities and several differences. One major difference is in the terminology employed and greater detail required by the accounting system, as described in Chapter II; another major difference is the increased budget authority allotted to field commands, principally, military personnel fund authorizations.

Under the previous budgetary process, field commands were required to submit budget estimates applicable only to the Operations and Maintenance, the Marine Corps Stock Fund, and to a minor extent, the Procurement, Marine Corps, appropriations. The amounts involved in these appropriations constituted approximately 25 per cent of the total Marine Corps budget request. The remaining budgetary requirements were prepared at Headquarters, Marine Corps, under centralized management. As can be deduced, the greater burden for preparation

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[1]Department of the Navy, Financial Management of Resources (NAVSO P-3006) (Washington, D.C.: Government Printing Office, 1968), Chapter III, p. 5.

of budget estimates and, for that matter, overall financial responsibility, was situated at departmental headquarters.

Not only were field commands not required to submit budget estimates for an appropriation such as Military Personnel, but no allotment of funds was made to them under that appropriation and accountability for obligations and expenditure of funds rested with departmental headquarters.

Under the PRIME concept, however, the allocation of funds for military personnel expenses, as a portion of the operating budget, combined with the purging of consumable items from the Procurement appropriation for relocation within the Operations and Maintenance appropriation, now parcels, at least on paper, 75 per cent of the total Marine Corps appropriation to field commands.

The operating budget

Recall from preceding sections that the Marine Corps must utilize a new format for the request of funds to be apportioned by the Bureau of the Budget and Department of Defense, i.e., the "operating budget," expressed in terms of the Five-Year Defense Program and the Department of Defense terminology. Recall, also, that the "operating budget" represents a merger of "operating-type" fund requirements, i.e., Military Personnel and Operations and Maintenance Appropriations contained within the President's budget.

Figure I [illegible] an example of an approved "operating budget" fund authorization for a major Marine Corps field

activity. A form containing similar information would be received from the Department of Defense, via the Comptroller of the Navy, for the Marine Corps as a whole. The reader should note that traditional Congressional "ceilings," appropriation limitations, and other constraints are readily identifiable in the "remarks" portion. Recognition of and strict adherence to the provisions of the Anti-Deficiency Act (31 USC 665), Section 3679 (revised), are particularly important.

Before further discussion of the "operating budget" can be attempted, however, an explanation of the numerical coding must be presented. This is the key to the correlation of the Five-Year Defense Program matrix to the Appropriation Act. The key codes of the "operating budget" are: (See Figure 1.)

> Appropriation 1791106.--Assigned by the Treasury Department for identifying receipt and expenditure transactions. The number would translate as follows: 17 - Navy Department; 9 - one-year appropriation for FY69; 1106 - Operations, Marine Corps.
>
> Accounting Office No. and Activity.--These numbers are internal to the Department of the Navy and identify the activity both within the Marine Corps and the Naval Establishment.
>
> S.A. (sub-head) 2721.--The first two digits (27) denote the Marine Corps, the third digit (2) identifies the major program within the FYDP, i.e., Program II (General Purpose Forces), the fourth digit (1) designates the President's budget activity within the Operations and Maintenance appropriation. In this case, the (1) translates to the Training and Operations budget activity.[1]

The numerical coding, of course, lends itself admirably to automated data processing techniques.

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[1]U.S. Marine Corps Order P7000.5A, Project PRIME Implementation Guidance, dated September 18, 1968, Chapter 2, p. 11.

OPERATING BUDGET FUND AUTHORIZATION

Appropriation 1791106

Activity 8270175 Accounting Office No. 67001

1	From: Commandant of the Marine Corps	To: Commanding General, Marine Corps Base, Camp Lejeune, North Carolina 28542	OP Bud No. 67001 / Approved by	New ☐ / Amend No. 1 / Date			
2	S. H. Title or Description	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total	Mil Pers Exp Included
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
3							
4	2721 General Purpose Forces Direct Expense	7,770,476	7,542,938	7,586,377	7,400,002	30,299,793	11,947,213
5							
6							
7	2781 Trng, Medical and Other GPA Direct Expense	2,475,433	2,356,150	2,364,399	2,348,900	9,54[illegible]	8,277,672
8	2754 Guard and Reserve Forces Direct Expense	12,000	10,000	15,000	7,600	44,600	-
9							
10	Total Direct Program Expense	10,257,909	9,909,088	9,965,776	9,756,502	39,889,275	20,224,890
11	Change in Unfilled Orders - Net	-	-	-	-	-	
12	Total Direct Operating Budget	10,257,909	9,909,088	9,965,776	9,756,502	39,889,275	
13	Military Personnel Expense	5,056,223	5,056,222	5,056,222	5,056,222	20,224,890	
14	Obligational Authority Subj: R.S. 3679	5,201,686	4,852,866	4,909,554	4,700,280	19,664,385	

SPECIMEN

REMARKS:

1. $ 19,664,385 of above amount is obligational authority under O&MMC subject to R. S. 3679 on a cumulative quarterly basis, which may be increased by the amount of reimbursable orders received (funded).
2. $ 3,975,000 of obligational authority is available for Maintenance of Real Property Facilities only (excludes funds utilized for property disposal).
3. $ 218,285 of obligational authority is provided for the property disposal function and is not available for other purposes.
4. $ 20,224,890 military personnel expense authority included is a target amount which should not be exceeded without prior CMC approval. Obligational authority under O&MMC is not automatically reduced in the event cumulative military personnel expense for any period exceeds that indicated as available for military personnel within the total operating budget.
5. The total direct program expense, the total direct operating budget, and military personnel expense are targets on a cumulative quarterly basis and should not be exceeded without prior CMC approval. Realignment of expense between programs (subheads) is authorized. Notify CMC, Code AS-1, immediately of such adjustments, or other deviations, or potential deviations under this fund authorization.
6. This amendment provides funds as indicated below, to support project Transition (SH 2721, PE26496M)

SH	1stQtr	2ndQtr	3rdQtr	4th QTR	Total
2721	$18,500	$17,000	$17,000	$17,000	$69,500

Figure 1

NAVMC HQ 520 (4-65)

CARD ITEM LAYOUT (5230)

☐ INPUT ☐ OUTPUT

TAPE LABEL: ______

FILE ID: ______

ITEMS PER/BLOCK: ______

NUMBER OF WORDS IN ITEM ______

PUNCH MODE ☐ TRANSLATED ______ ☐ UNTRANSLATED

STOP FREQUENCY: ______

DESCRIPTION OF CARD/FILE: OPERATING BUDGET/EXPENSE REPORT - DETAIL CARD FORMAT

REGISTER NO. "11"

* - MARINE CORPS FINANCE CENTER, KANSAS CITY - CODE "9"

C. C. 50 - "X" MEANS NO WORK UNIT; "Y" MEANS ONLY ONE WORK UNIT PER CAC

Field	Card columns
REGISTER	1
NUMBER	2
NRFC. CODE	3
APPROP	4–7
SUB HEAD	8–11
PERIOD ENDING – MONTH	12–13
PERIOD ENDING – YEAR	14–15
AAAN	16–21
OPER. BUDGET	22–26
EOB SUFFIX	27
UIC CHARGEABLE ACTIVITY	28–33
FUNCT. CAT.	34
SUBFUNCT CAT	35
EXP. ELE.	36
EXP. CODE	37
CODE	38
PROGRAM ELEMENT	39–40

Field	Card columns
WORK UNITS	41–49
WORK UNIT CODE	50
MAN HOURS	51–59
BUDGET CODE "A"	60
△	61
FY	62–63
△	64–66
COST ACCOUNT	67–70
AMOUNT	71–80

Figure 2

E-12219

To best illustrate the "operating budget" as it relates to the accounting system, a layout of a standard data processing card is shown at Figure 2. Summary cards by functional category and expense element must be submitted monthly by all "operating budget holders," thereby providing "feedback" and an automated management reporting system.[1] These cards, when compared to approved quarterly "operating budgets," indicate variances and expenditure rates. One can easily see that with the collation and computation capabilities of modern data processing equipment expenses can be compared both to the President's budget and to the Five-Year Defense Program by organization, by program element, and by work unit, and aggregated at all reporting levels, from the lowest to the highest. The combinations are numerous and "visibility" by all echelons is almost infinite compared to the allotment process. To this end, every major unit within the Marine Corps, is machine-coded by program element for use in reporting against the "operating budget." Similar identification within other service organizations also exists. Armed with this information and a standard system for accounting, the Department of Defense can, for example, compare costs and expenditure rates of Marine F-4 squadrons to similar squadrons in the Navy and the Air Force. Similarly, in the area of manpower, work performance

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[1]U.S. Marine Corps Order 7301.56A, Financial Reporting under Department of Defense Resources Management Systems (Project PRIME), for FY 1969 and Subsequent, dated July 10, 1968, p. 4.

to civilian, military, and contract personnel can also be compared at the Service and Department of Defense level.

Conversely, under the appropriation/allotment accounting system (prior to Project PRIME), reports of expenditures and/or obligations were also provided higher headquarters, but primarily in dollar amounts, without direct association to work performed in units incurring these expenses.

To summarize, the collection of expense information by functional categories, by expense element, and by program element is designed to:

(a) Meet the statutory limitations of the Congress, e.g., minimum maintenance expenditure requirements.
(b) Meet the restrictions made by the Department of Defense, e.g., expenditures by program.
(c) Collect costs of functions for use in deciding on future authorizations.
(d) Assist in making comparisons and special analyses of costs.[1]

Financial Accounting

Financial accounting has as its primary objective the provision of information to interested parties outside the organization.[2] Financial accounting within the governmental agencies and the military services has its foundation in the Constitution of the United States, which states:

> No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law, and a regular Statement and Account of Receipts and Expenditures of all

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[1]Department of the Navy, Office of the Comptroller, Financial Management of Resources (NAVSO P-3006) (Washington, D.C.: Government Printing Office, 1968), Chapter II, p. 37.

[2]Robert N. Anthony, John Dearden, Richard F. Vancil, Management Control Systems (Homewood, Illinois: Richard D. Irwin, Inc., 1965), p. 12.

public money shall be published from time to time.[1]

From this statute was drawn the definition of appropriation--an authorization by an Act of Congress to make payments out of the Treasury for specified purposes.[2] Thence, the origin of the term "appropriation accounting," or that process where interested outside agencies would be provided requisite financial information in accordance with statutory requirements. In the case of the Marine Corps, as well as other services, these outside parties would include (1) the Congress, (2) the General Accounting Office, (3) the Bureau of the Budget, (4) the Treasury Department, and (5) the Department of Defense, all of whom issue instructions and guidance for the government agencies, with regard to accounting responsibilities and requirements. As would be expected, the techniques used to collect, record, and report under a financial accounting system are, therefore, greatly influenced by the needs and requirements of these outside agencies and the public.[3] "These needs have historically been oriented toward safeguarding the integrity of appropriations against careless, ill-informed, and/or maleficent administrators in the executive departments. Appropriation accounting is, therefore, an instrument for the control of spending."[4]

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[1]U.S. Constitution, Article I, Section 9.

[2]U.S. Marine Corps Order P7300.8A, Financial Accounting Manual, Chapter II, p. 3.

[3]Robert N. Anthony, Management Accounting Principles (Homewood, Illinois: Richard D. Irwin, Inc., 1965), p. 1.

[4]Melvin Anshen, "The Federal Budget as an Instrument for Management and Analysis," in Program Budgeting, p. 12.

An indication of the emphasis which the Congress, and the public, in general, place on expenditure control is reflected in the Anti-Deficiency Act of 1906, as amended (31 USC 665), Section 3679 (revised), which states:

> Sec. 3679. (a) No officer or employee of the United States shall make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein; . . .
> . . . .
> (i) (1) . . . when circumstances warrant, suspension from duty, without pay or removal from office . . . upon conviction, be fined not more than $5000 or imprisoned for not more than two years, or both.

In order to facilitate and provide some degree of uniformity in the preparation of budget estimates, the review of those estimates by Congress, and the control and accounting for funds approved, there has been established by Congress an appropriation structure, which names major areas of requirement by an appropriation title. Appropriations are further subdivided by the Congress into budget activities. Budget activities are major subdivisions of the appropriation by functions. For example, the Operations and Maintenance Appropriation for the Marine Corps contains six functional budget activities, they are: (1) Training and Operations, (2) Depot Supply System, (3) Transportation of Things, (4) Marine Corps Reserve Training, (5) Cataloging, and (6) Departmental Administration. Further, subdivision of budget activities is accomplished by the assignment of accounting projects within budget activities. These accounting projects are sub-functions within the budget activity contained in the Congressional budget. For example, within the budget activity for Training

and Operations, a total of thirty-one accounting projects or sub-functions have been defined. Funds for each accounting project are allocated in the form of allotments to the field commands. An aggregation of all allotments within the six budget activities would equal the total appropriation.[1]

To further emphasize control of expenditures and obligations, a ledger is established for each appropriation and each allotment by accounting project. As obligations or expenditures are incurred, entries are made to the appropriate allotment and appropriation ledger. This procedure reduces the amount available for future expenditure and, of course, insures against over-obligation.[2] Compared to the PRIME accounting system discussed in Chapter II, there are changes, but these are primarily procedural in nature, such as double-entry bookkeeping and accrual accounting. What is significant to the comptroller is the increased number of accounts, both functional and expense element, which must be maintained for the Department of Defense, as well as subsidiary accounts to permit derivation of data, in terms of the budget activities of the President's budget.[3] In a sense, this is maintaining two sets of books, one for the Department of Defense and one for the Congress.

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[1]U.S. Marine Corps Order P7300.8A, Financial Accounting Manual, Chapter I, p. 4.

[2]Irving Tenner, Municipal and Governmental Accounting (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1955), p. 51.

[3]U.S. Department of Defense Instruction 7220.22, p. 7.

Administrative Control

Administrative control of budget execution centers around the Appropriation Act itself, since the Act establishes the dollar limitation on the conduct of approved functions within the budget. In some cases, it is also necessary to monitor the expenditure rate of funds toward the accomplishment of these functions to insure that funds appropriated will not be exhausted before the end of the fiscal year. An example of this requirement for control would be military pay.

Controls for this purpose are maintained through the use of a system of accounts and a progress reporting system known as apportionment and allocation.[1] By the apportionment process, the Bureau of the Budget divides each annual appropriation into dollar ceilings, by fiscal quarter, which must not be exceeded during the apportionment period.[2] As previously mentioned, the Commandant of the Marine Corps initiates apportionment requests to the Bureau of the Budget, via the Office of the Navy Comptroller and the Department of Defense. Upon approval, the apportionment schedules are forwarded to the Treasury Department for recording and are returned to the organization via the same channels. By separate action, the

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[1]Research Report of the 1961 Class, Navy Graduate Comptrollership Program, "Performance Budgeting and Financial Management in the Department of the Navy" (Washington, D.C., The George Washington University, 1961), p. 53.

[2]Ibid., p. 56.

Office of the Navy Comptroller allocates funds by appropriation title and budget acti[illegible] as contained in the President's budget to Congress, to the Marine Corps.

Allocations and apportionments serve different purposes, i.e., allocations represent annual amounts established for specific functions, while apportionments are concerned with controlling obligations at an orderly rate, usually quarterly. In this sense, apportionment and allocations serve as a rudimentary form of control in regulating the rate and general purpose for which the funds were spent.

Project PRIME has further refined this process. The Secretary of Defense, utilizing the matrix of accounts discussed in Chapter II, and the new terminology discussed in this chapter, the "operating budget," page 36, now superimposes his own constraints and guidance over components of the Defense Department. This has been done as follows:

(a) The Direct Expense authorized for the fiscal year for each program of the Five-Year Defense Program will be target amounts.

(b) The Total Direct Expenses will be an administrative limitation on a cumulative quarterly basis not subject to the Anti-Deficiency Act, hereinafter referred to as R.S. 3679.

(c) The sum of the Total Direct Expenses and the Change in Undelivered Orders will be an administrative limitation on a cumulative quarterly basis not subject to R.S. 3679.

(d) The sum of the Change in Undelivered Orders, after appropriate adjustments in the beginning balance for prior year obligations, the Direct Expenses financed from the Operations and Maintenance appropriation, and the Reimbursable Programs is equivalent to the obligational authority and will be a limitation on a cumulative quarterly basis and, therefore, subject to R.S. 3679.

(e) Financial authority will be issued by each Department of Defense component to successive lower organizational levels down to the installation level only by means of operating budgets, except that obligational authority under the Military Personnel appropriation will continue to be administered under existing procedures.

(f) The amount subject to R.S. 3679 will be automatically and concurrently reduced in the amount, if any, by those expenses for military personnel which are incurred in excess of the amount specified for military personnel within the total operating budget. The reduced amount will constitute a new R.S. 3679 cumulative quarterly limitation.[1]

The Comptroller General had this to say about the administrative control embodied in Project PRIME:

> . . . , the operating budget will contain an administrative subdivision of operation and maintenance funds. The limitation of that operating budget will enable the Department of Defense to focus its management attention on the total expenses of various organizations and programs. At the same time, the operation and maintenance allotments will insure that proper control of the separate operation and maintenance appropriation is maintained, while control of the military personnel appropriations will be effected just as it is today, by central agencies.[2]

What the Comptroller General did not say was that the operating budget imposed three fund limitations on the commander/manager/comptroller, in lieu of one contained under each previous allotment. Examination of sub-paragraphs (b), (c), and (d), page 78, in conjunction with the terminology on page 36 and in Figure 1, show the following limitations:

(1) Total Direct Expenses. This is a limitation of expenses, including military personnel costs (with the exception of anticipated reimbursables).

(2) Total Direct Operating Budget. This is simply

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[1]Secretary of Defense Memorandum to the Service Secretaries, et al., Administrative Control of Operating Budgets, [illegible]

[2]Comptroller General of the United States, Report to the Congress, dated April 1[illegible], 1968, p. 14.

[illegible] of new obligations, authority and military personnel costs (standard rates) coupled with the net change in unfilled orders. Unfilled orders mean obligations that have not yet been [illegible], or put another way, orders for materials or services that have not yet been received.

(3) New Obligational Authority. This same limitation was imposed on the [illegible] authorizations prior to PRIME. It is a legal limitation imposed by the Congress to the lowest organizational level. It is subject to the Anti-Deficiency Statute, commonly referred to as R.S. 3679.[1]

The net effect of these controls on the Marine Corps Comptroller increases the number of variables in the accounting process and therefore, requires much closer supervision and monitoring of obligations and expenditures by the Comptroller and his staff.

Charging military personnel costs to the user

The preceding chapters and sections point out primarily changes in terminology, accounting procedures, and administrative controls. These evolutions could be considered refinements to the existing system. The most significant and controversial change brought about by Project PRIME is the requirement for the charging and detailed accounting of military personnel expenses at the user level.[2]

Recall from Chapter II, that one of the long-range objectives of PRIME is to charge the commander/manager with

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[1] Edwin H. Simmons, Brigadier General, U.S. Marine Corps, Deputy Fiscal Director of the Marine Corps, briefing for the Commandant of the Marine Corps and Headquarters, Marine Corps Staff, on October 31, 1968.

[2] U.S. Department of Defense Instruction 7220.15, Internal Budgeting, Accounting and Reporting for Military Personnel Expenses, dated March 19, 1968, p. 8.

[illegible]0 per cent of the resources his organization consumes, and [illegible] an accounting system now exists which would integrate [illegible] identify military personnel costs, utilize accrual accounting techniques, double-entry bookkeeping and expense accounting, relating to the program structure of the Five-Year Defense Program. This accounting system would establish also a financial management reporting method which would greatly improve the "visibility" of commanders/managers at all echelons by reflecting a closer approximation of total cost of current operations. Further, it would provide a tool for the evaluation and improvement of performance within their respective commands/responsibility centers.

The effect of this new requirement on the Marine Corps Comptroller is extensive; heretofore, and except for industrial-type activities, the costing of military personnel, as an operating expense to specific functions, was not performed. To effectively perform this new task will require a military labor distribution or job order system similar to that utilized for civilian personnel.[1] The magnitude of this task can best be visu[illegible]ed when the reader recalls that nearly 60 per cent of the Marine Corps total annual fund requirements are for military personnel expenses. Although standard rates have been computed to simplify the costing of military personnel services, the transient nature of the military population and the necessity for retention of centralized control over

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[1]U.S. Department of Defense Instruction 7220.15, Internal Budgeting, Accounting, and Reporting for Military Personnel, p. 9.

[illegible]/[illegible] of personnel at headquarters, [illegible] levels, complicate the task.

Summary

This chapter has demonstrated that Project PRIME provides no change from the present charter functions of the comptroller at any level in the hierarchy of the Department of Defense. The application of Project PRIME is, for the most part, required by law as are the functions of the Defense and service comptrollers.

Funding control, constraints on expenditures, and disciplinary measures for the violation of these constraints remain as before; only the terminology, detail, methods of accounting, and aggregation of funding requirements/expenditures have changed.

The detailed budgeting and accounting for military personnel expenses, at field commands, represents the most preponderant and controversial modifications to former procedures.

CHAPTER IV

CRITICAL EVALUATION OF PROJECT PRIME

This chapter will present a sampling of the current status of Project PRIME within the services with emphasis on the Marine Corps. Included in this evaluation will be excerpts from recent Congressional hearings, U.S. Navy, and Marine Corps views, observations of the Department of Defense PRIME on-site survey teams, and those of selected authors.

This transition, from the conceptual and statutory foundation of Project PRIME to actual application "in the real world," will permit the formation of some conclusions in Chapter V; hopefully, these conclusions will benefit both the planners of Project PRIME and the managers, those who must use it and make it work.

Congressional views

Despite the optimistic Department of Defense memorandums, directives, and speeches, expounding the merits of Project PRIME, the Congress does not share this view. Their viewpoint was formally expressed by the House Committee on Appropriations in its recommendations in Department of Defense Appropriation Bill, 1968, as follows:

The Committee has deleted funds budgeted in the

> Operation and Maintenance accounts for the so-called Resources Management System of the Department of Defense. The principal element of this system is known as Project PRIME, a proposal to completely alter the character of Defense budgeting and accounting so as to bring it in consonance with the program system of the Department.
>
> The Committee is of the opinion that this proposal appears to be a case of too much too soon. While it is undoubtedly true that significant changes in the budgeting and accounting system of the Department of Defense should perhaps be accomplished, and this is to some extent true of all agencies of the Federal Government, what is understood of the proposal under Project PRIME would indicate a massive change which, to some extent, would temporarily diminish Congressional control and which appears to be proposed for at least partial initiation without due regard for Congressional expression.
>
> The Committee directs that there be no such change in the budgeting and accounting system of the Department of Defense preparatory to the formulation of the fiscal year 1969 budget presentation.[1]

In general, the Senate Committee on Appropriations supported the House Committee. To insure that Congressional intent was maintained and enforced, the Senate proposed an amendment to the bill, which, in its final form, reads:

> Sec. 640(b). During the current fiscal year none of the funds available to the Department of Defense may be used to install or utilize any new "cost-based" or "expense-based" system or systems for accounting, including accounting results for the purposes prescribed by section 113(a) (4) of the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66a(a)(4), until 45 days after the Comptroller General of the United States (after consultation with the Director of the Bureau of the Budget) has reported to the Congress that in his opinion such system or systems are designed to (1) meet the requirements of all applicable laws governing budgeting, accounting, and the administration of public funds and the standards and procedures established pursuant thereto; (2) provide for uniform

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[1]U.S., Congress, House, Committee on Appropriations, Department of Defense Appropriation Bill, 1968, H. Rept. 349 To Accompany H.R. 10738, 90th Cong., 1st sess., p. 6.

application to the extent practicable throughout the Department of Defense; and (3) prevent violations of the antideficiency statute (R.S. 3679; 31 U.S.C. 665).[1] (Emphasis supplied.)

At this point, the reader should note that the Department of Defense in its enthusiasm for PRIME, apparently overlooked both White House guidance set forth by President Johnson's memorandum, quoted in part in Chapter II, and the Budget and Accounting Procedures Act of 1950, as amended: both require that approval of the Comptroller General be obtained in the design of executive agency accounting systems.[2] The Congress, however, was observant of this requirement; the net effect of Congressional action delayed the planned implementation of Project PRIME from July 1, 1967, until at least forty-five days after receipt of the Comptroller General's approval.

To obtain the Comptroller General's approval of an accounting system was no small task. Elmer B. Staats, the Comptroller General, stated in a recent magazine article that only about one-third of the civilian agencies have accounting systems which meet current Government Accounting Office standards. Of the nineteen different accounting systems within the Defense Department, the Corps of Engineers (Civil Functions)

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[1]U.S., Congress, Senate, Committee on Government Operations, Planning-Programming-Budgeting Hearings before the Subcommittee on National Security and International Operations, United States Senate, with Charles L. Schultze, Director, Bureau of the Budget, 90th Cong., 1st sess., 1967, pp. 62-63.

[2]Comptroller General, Accounting, Principles and Standards for Federal Agencies, p. 2-69.

is the only activity which has an approved accounting system.[1]

On April 12, 1968, approximately ten months subsequent to Congressional disapproval, the General Accounting Office approved a second accounting system within the Department of Defense; Project PRIME after some modification was favorably endorsed by the Comptroller General and passed to the Congress for reconsideration.[2]

Apparently, the Comptroller General's endorsement was still insufficient to satisfy the Congress. Both the Senate and the House of Representatives, in their final hearings on the Second Supplemental Appropriation Bill for 1968, expressed further reservations. In fact, these legislative bodies, although now approving the PRIME concept, qualified their approval so extensively that they cast a negative tone over the entire project. Their views can be summarized as follows:

> (a) That the "automatic reducibility" clause for operation and maintenance appropriations, should military personnel appropriation expenditures exceed authorizations, be applied only at the major command level.[3]
> (b) That the requirement for detailed bookkeeping in motor pools be rescinded as too expensive, in terms of money and manpower, and seems an unwise effort at this time when stringent economy should be encouraged. [If the

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[1]Elmer B. Staats, "The GAO's Long Range Plans for Military Audits" in Armed Forces Comptroller (April 1967), p. 3.

[2]Comptroller General of the United States, Report to the Congress, p. 1.

[3]U.S., Congress, House, Second Supplemental Appropriations Bill, 1968, House of Representatives, H. Rept. 1531 to Accompany H.R. 17734, 90th Cong., 2d sess., 1968, p. 15.

Department of Defense wishes to do further testing of the concept, there would be no objection./[1]

(c) Any funds utilized for the purpose, beyond those approved for already existing Department of Defense budgeting and accounting activities, are a matter of special interest to the Congress and subject to prior approval of reprogramming procedures.[2]

(d) There is a lack of definite information on the cost of the new system. The budget for fiscal year 1968 included $52.7 million for the implementation of Project PRIME and these funds were disallowed by the Congress. The services requested $69.2 million during the formulation of the fiscal year 1969 budget, but the amount was disallowed by the Secretary of Defense.[3]

(e) There is considerable doubt as to the readiness of the services to implement the system on July 1, 1968.[4]

(f) That Project PRIME may proceed in accordance with all the restrictions of House Report 1531, provided a slow and deliberate approach is effected in collaboration with the General Accounting Office with perfecting actions taking precedence over expansion of the program.[5]

U.S. Navy and Marine Corps views

During the spring of 1968, the Assistant Secretary of Navy for Financial Management, when queried regarding the capability of Navy and the Marine Corps to implement PRIME, responded:

> Because of the magnitude and complexity of the task, it may be several years before the system is operating at full effectiveness. . . .

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[1]Ibid. [2]Ibid.

[3]U.S., Congress, Senate, Second Supplemental Appropriation Bill, 1968, S. Rept. 1269 to Accompany H.R. 17734, 90th Cong., 2d sess., 1968, p. 14.

[4]Ibid.

[5]U.S., Congress, House, Second Supplemental Appropriation Bill, 1968, Conference Rept. to Accompany H.R. 17734, 90th Cong., 2d sess., 1968, p. 3.

> As a result of the absence of fiscal year 1968 funds for PRIME, individual field activities have been limited in their ability to prepare for the system. . . .[1]

The position of the Commandant of the Marine Corps expressed in a statement to the Senate Appropriations Committee, expanded on this theme and forecast the major problem areas. In this statement he said:

> . . . the PRIME system is not just a simple revision of current budgeting and accounting. It superimposes a new system over much of the present and encompasses rather complicated and expensive changes. . . .
>
> My chief concern is with the adequacy of our resources (money, people, and machine capability) to supply and make effective use of this significantly increased detail required by the PRIME system.
>
> The new concept defined in Project PRIME requires a higher caliber of personnel trained to accumulate, analyze, draw conclusions from the data derived in the system, and recommend management actions. Further, there are data processing resources required to handle the increased volume of data. . . .[2]

The Commandant recommended:

> that full implementation of PRIME be deferred until FY 1970;
>
> that during FY 1969 PRIME be tried only in those areas where adequate resources existed; and
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> that FY 1969 be used for further evaluation, extension of service testing, acquisition of resources, and systems training.[3]

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[1]Assistant Secretary of the Navy (Financial Management), Memorandum for Assistant Secretary of Defense (Comptroller), Project PRIME, dated April 23, 1968, p. 1.

[2]U.S., Congress, Senate, Second Supplemental Appropriation Bill, 1968, Hearing before the Committee on Appropriations on H.R. 17734, 90th Cong., 2d sess., 1968, p. 220.

[3]*Ibid.*, p. 221.

Department of Defense PRIME Survey Team views

This section summarizes the progress of PRIME, within the Marine Corps, as viewed by representatives of the Office of Assistant Secretary of Defense (Comptroller). Reference will also be made to the other military services to indicate variances in interpretation and, to some extent, the degree of acceptance by the individual services.

Visits to Headquarters of the Army, Navy, Air Force, Marine Corps, et al., During Period September 3-16, 1968

Observations

All services are proceeding with implementation in accordance with formally developed programs, except for the Navy; all services have issued operating budgets in Five-Year Defense Program terms. The Army has superimposed the conventional Operations and Maintenance budget activity structure; the Navy plans to issue one operating budget for each Operations and Maintenance budget activity. The Air Force and the Marine Corps do not issue their budgets with such constraints. The costing of military personnel appears to be operating without significant problems. The Navy and the Marine Corps rely heavily on centralized costing techniques from the personnel reporting systems, while the Air Force and Army operate under a decentralized system. With regard to the Marine Corps, the Survey Team noted that the system does not provide for funding the organizational unit for services to be received from supporting service units. The Marine Corps expressed concern that if organizational units were funded, budget authority would be utilized for other purposes, while obligational expenses continued to be incurred by the service supporting units. The Survey Team further noted that the Marine Corps method is not fully consistent with the intent of the PRIME system.[1]

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[1]Chairman, PRIME Survey Team, Memorandum for Mr. Bergquist, Deputy Assistant Secretary of Defense (Comptroller), PRIME Survey Team Visits, dated September 23, 1968, with attachments.

PRIME Survey Team visits -- December 1968

During the month of December 1968, the PRIME Survey Team visited two Army, two Navy, one Air Force, and one Marine Corps installation. The Marine Air Station at El Toro, California, was the first visit by the Department of Defense to a Marine Corps field activity. The primary purpose of the visit to the Army installations was to evaluate the service center concept.

Observations

> The service unit test /a motor pool/ at Fort MacArthur has been in operation for about 13 months. Organizational units receive expense authority to purchase the service and are charged monthly. The authority can only be used for this purpose; on the other hand, service is not denied to any organizational unit that has exhausted its expense authority. It is the general consensus of the Fort MacArthur personnel that the costs incurred to date are not offset by any management benefits from the standpoint of either the customer or the performer. (Emphasis supplied.)
>
> The service unit test cost and lack of benefits cannot be adequately evaluated until a true seller customer relationship is established to provide incentives for customers to critically evaluate their motor vehicle requirements. Recommend that consideration be given to providing a test relieved of customer constraints to allow possible "trade-offs" within the customer's operating budget.
>
> We continue to observe that operating budgets are constrained in varying degrees by certain levels of command, e.g., limits placed on conventional budget activities or elements of expense.

At the Marine Corps Air Station the survey team noted that:

> Operating targets (plans) provided to cost centers are for material only and are on an obligation basis, rather than on an expense basis, since obligations are recorded at the time material is requisitioned from the stock fund. Civilian

and military personnel costs are monitored by the Comptroller.
This installation reports the cost of military personnel on board the first of the month at standard rates and forwards the report to Commandant of the Marine Corps. The Commandant, in turn, renders a "bill" to the Marine Corps Air Station for military personnel for the month. The "billed" amount varies considerably, from the amount shown on the report. The reason for variance could not be determined at El Toro. . . .
Implementation of the other aspects of the PRIME system is proceeding satisfactorily. Management officials are completely familiar with Project PRIME.[1]

PRIME Survey Team visits during period October 28 - November 15, 1968

During this period, the PRIME Survey Team visited activities of all services, except the Marine Corps. The team's overall comments, although out-of-phase with the foregoing, are general and intended to indicate a trend rather than specifically pinpoint a service. The author feels that the Marine Corps would also fit within the pattern; accordingly, the following Survey Team notes are included and are considered an excellent summary of the status of PRIME at the field activity level:

1. The variation of implementation within the services is sometimes as great as between services. The enthusiasm of commanders appears to be directly related to the implementation progress.
2. There is a hesitancy on the part of several activities to shift the focus from obligation to expense even though they have received operating budgets primarily in expense terms.
3. Operating budgets have been constrained in varying degrees by certain levels of commands, e.g., limits placed on conventional budget activities or elements of expense.
4. The service unit tests of motor vehicle transportation activities are being limited by restricting the users' budgets or not including full cost, e.g., military personnel. It appears that additional study and testing will be required

[1]Chairman, PRIME Survey Team, Memorandum for Mr. Bergquist, Deputy Assistant Secretary of Defense (Comptroller), PRIME Survey Team Visits, dated January 7, 1969, with attachments.

for an evaluation of the concept.[1]

The potential for resource "trade-offs"

The Assistant Secretary of Defense (Comptroller) has indicated that the PRIME accounting system would cause commanders/managers/comptrollers "to think in terms of 'trade-offs,' such as the best balance between military personnel, civilian personnel, and contract services for mission accomplishment."[2]

Conceptually, this was a most logical and rational observation, as the PRIME reporting system and subsidiary accounting records would permit these comparisons. Heretofore, except for industrial-type activities, the cost of military personnel as an operating expense to specific functions was not included. On the other hand, civilian service payrolls, contract services, and material expenditures were correlated to specific functions, primarily through labor distribution or job order systems.

To accomplish uniform military personnel costing and provide for the many different pay combinations, in each rank, based on allowances for years of service, number of dependents, hazardous duty status, etc., it was necessary for the Department of Defense to design a standard rate for military personnel

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[1]Chairman, PRIME Survey Team, Memorandum for Mr. Bergquist, Deputy Assistant Secretary of Defense (Comptroller), PRIME Survey Team Visits, dated November 29, 1968, with attachments.

[2]Office of the Assistant Secretary of Defense (Comptroller), PRIME 69 (First in series of monographs) (Washington, D.C.: Government Printing Office, 1968), p. 10.

of all services. This has been done.[1] Civil Service pay scales already exist for this purpose, e.g., Salary Table No. 49.[2] The availability and cost of contract services can readily be determined by bid invitations. With these publications, plus response to bid invitations in the hands of the commander/manager/comptroller, the basic ingredients for a "trade-off" consideration now exists. In retrospect, however, they have always existed except for standardized Department of Defense rates for military personnel costs. Even then, military rates could have been approximated, permitting rudimentary comparisons. If this is so, why hasn't there been more emphasis in this area?

The answer is relatively simple--the commander/manager had nothing to gain. Military personnel were assigned from departmental headquarters and paid from a centrally-managed separate appropriation. Military personnel could, therefore, be considered a "free" commodity. Similarly, Civil Service personnel authorizations were assigned and controlled from a departmental headquarters; sufficient funds for payment were included in the Operations and Maintenance allotments. In the case of Civil Service personnel, however, some flexibility did exist. Civilian personnel funds could be expended for materials and other services, or vice versa, provided civilian employment ceilings were not exceeded or an involuntary "reduction-in-force" action was not instituted. In this regard, involuntary

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[1]U.S. Department of Defense Instruction 7220.25, Standard Rates for Costing Military Personnel Services, dated August 11, 1968, enclosures.

[2]U.S. Civil Service Commission, Salary Table No. 49 (Washington, D.C.: Government Printing Office, 1968), pp. 1-7.

reductions-in-force of Civil Service personnel were viewed as "poor management" and scrupulously avoided.

Now, with the operating budget concept; that is, an aggregation of Military Personnel and Operations and Maintenance appropriations, together with standard military personnel costs and cost accounting system, the commander/manager/comptroller has more flexibility to consider these "trade-offs."

A "trade-off" at Great Lakes Naval Training Center

A recent application of the "trade-off" concept occurred in the negotiation and award of a contract by the commander of the Naval Training Center, Great Lakes, Illinois, to a private contractor for the operation of the training center's mess halls. This contract was awarded on the basis of lowest cost, with military, Civil Service, and private contractors competing.

The Civil Service Commission is presently contesting the legality of the contract on the basis that contract civilian mess personnel are managed analogously to Civil Service direct-hire personnel to include the provision of government equipment and facilities.

A case in point can be recalled when a single government-owned computer at the National Aeronautics and Space Agency was operated by contract personnel. Coincidentally, it was located alongside two identical computers, performing similar work and operated by Civil Service personnel. This arrangement was declared illegal and the contract personnel were

replaced by the more costly civil servants.[1] The Great Lakes Training Center matter has yet to be resolved. Based on a similar precedent, however, the Civil Service Commission has an initial advantage.

The author notes that this occurrence demonstrates the existence of peripheral considerations which commanders/managers/comptrollers must also ponder and which may outweigh or compromise a "trade-off" based strictly on lower costs.

Personnel overages at an Army West Coast installation

A less complicated case, resulting from charging military personnel costs to the user, recently occurred on the West Coast, where the installation commander reported an excess of eighty-six military helicopter mechanics assigned to his organization. Under PRIME accounting, the commander's operating budget was being charged for the cost of these excess personnel, thereby indicating an expenditure rate that would prematurely exhaust his funding authorization for military personnel. Although the personnel overage was due to external circumstances, i.e., military personnel being assigned and reassigned by departmental headquarters, this occurrence was nevertheless the subject of a PRIME report. Before PRIME, the commander would have regarded the excess manpower as a bonus; now, however, excesses, both in number and by grade, will be reported.

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[1]Keene Peterson, personal interview with Operations Analyst, Office of the Assistant Secretary of Defense (Manpower and Reserve Affairs), November 1968.

In the long run, a more precise monitoring of individual training and personnel assignment, by departmental headquarters, will be required to improve manpower utilization.[1]

Divergent views relating to PRIME

"Budget execution should preserve the intent of the legislature, but at the same time, maintain flexibility at all levels of administration."[2] This statement made by Jesse Burkhead is paradoxical, to some extent, and can best be illustrated by the comments of a noted author and theorizer, on one hand, as opposed to a noted military financial manager and practitioner on the other.

As early as 1956, David Novick, a prominent writer, submitted that a management accounting system should allow more flexibility at lower echelons of command when he stated:

> Initiative and imagination are fertilized by translation into real results and neither the military departments nor the Congress are likely to discover the "best way" to perform a task unless the people on the job are permitted to exercise their ingenuity. It is easy to "second guess" people doing a job, but it is more difficult to be an expert in doing it without current and real experience.
>
> If budgetary control is applied to insure that there are no overdrafts in aggregate, if performance objectives are clearly defined, and if the reporting system produces current reports in a detail which corresponds to administrative responsibility, I can see no reason why one should assume that a grant of authority will be abused or willfully used to produce anything other than best possible performance. To be sure there will be mistakes but they will be

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[1]Thomas S. Johnson, personal interview with Special Assistant to the Assistant Secretary of Defense (Comptroller), November 1968.

[2]Jesse Burkhead, Government Budgeting, p. 342.

> on a local and small scale instead of an overall and large scale basis as happens when detailed orders are laid on at the top and transmitted through a long chain.[1]

Conversely, Brigadier General George E. Brown, United States Air Force, stated an opposite view:

> Coupled with this lack of user demand for accrued expense data is the unrelenting pressure to reduce manpower investment in "soft" or supporting functions--such as Accounting. The effect is to reduce financial information systems to those needed to keep us out of jail. This helps explain an apparent fascination with appropriation accounting systems. The uses of data from these systems are highly visible to the wing commander and to all above him in the command chain. Not only do the data from these systems tell us how to avoid very specific statutory crimes (like over-obligation of funds), they also speak to us in the language we must use to justify future resources requirements. . . . The advertised wages of these sins guarantee top priority to appropriation accounting systems. If you can afford only one kind, this is the kind you will buy.[2]

It is the author's view that both positions are equally valid; the position adopted depends upon the current vocation of the individual.

A closing word of caution on PRIME

The reader should recall from Chapter II, that the PRIME accounting system permits the machine or computer aggregation of expense data from the lowest to the highest level. Conversely, through the use of similar programming techniques, it would permit the selected computation of data

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[1]David Novick, A New Approach to the Military Budget, RAND Corporation Report RM-1759 (Santa Monica, California: The Rand Corporation, 1956), p. 23.

[2]George E. Brown, Brigadier General, USAF, "Financial Information for Resources Management," Armed Forces Comptroller, January 1966, p. 18.

by program element, or in other words, a comparison at the Department of Defense level of actual organizational unit expenses to budgeted expenses; for example, F-4 squadrons in the Navy, Marine Corps and Air Force.

While PRIME has been advertised as a new system to help managers do their jobs, the system now begs the question: What is the Department of Defense's top management going to ask the services? Certainly, budget performance information or any other financial data would be available monthly, down through the organizational level (program element). If Defense top management interrogates the services for this data, then they are transposing themselves to the operational level. As Defense top management is too far removed from the scene of operations, all these top managers can do is to ask why certain things are happening. In other words, harass operational personnel.[1]

John Dearden sums up the situation by stating:

> One of the most common mistakes in management information systems has been that of providing one level of management with information designed for use by another level.
> . . . .
> . . . top management will be deluged with information that it can only use to check up on operating management. And if top management uses this information to try to control operations, it will be performing the function of the operational manager.[2]

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[1]John Dearden, "Can Management Information be Automated" in Management Control Systems: Cases and Readings, ed. by Robert N. Anthony, John Dearden and Richard F. Vancil (Homewood, Illinois, Richard D. Irwin, Inc., 1965), p. 532.

[2]*Ibid.*, p. 533.

CHAPTER V

SUMMARY AND CONCLUSIONS

The concept of Project PRIME has its most recent origin and foundation within the 1949 and 1955 Hoover Commission reports to the Congress, the essence of which has been transposed into public law. PRIME is an expense accounting system for the operating activities of the Department of Defense, exclusive of fleet and tactical units. The mainstay of the system rests in the establishment of a standardized chart of cost accounts and elements of expense which can be identified with organizational units and their commanders, and permit the aggregation of measurable costs at all levels of management for programming, budgeting, and accounting purposes. These actual expenses can be further compared to budgeted expenses as a measure of organizational progress against plan.

Further, the expense accounting system satisfied the financial information requirements of agencies, or activities, external to the Marine Corps, and the Department of Defense, and employs standard and universally accepted accounting techniques, such as posting on an accrual basis and double-entry bookkeeping. The combination of these features was no doubt instrumental in earning the PRIME accounting system the stamp of approval of the Comptroller General of the United States.

The impact of Project PRIME on the Marine Corps Comptroller is significant in that it will necessitate (1) a more detailed and voluminous collection and reporting of expense information than was formerly required, and (2) a more thorough knowledge of accounting, budgetary techniques, and expertise in financial analysis at all organizational levels. In other words, it will require an expansion of the functions already contained within the Comptroller charter--with emphasis on cost accounting. The rigidity of Congress toward the retention of its traditional appropriation structure and accounting system, however, will require that the Marine Corps Comptroller also remain proficient in that system and, for the present, these expanded accounting functions must be accomplished within existing manpower and financial resources.

Basically, financial control systems within the Marine Corps have remained unchanged; the overall Congressional constraints, i.e., "ceilings," "floors," and the apportionment process, as well as penalties for violation (Anti-Deficiency Act), continue as before. Although the Department of Defense has imposed two new constraints in the form of "Total Direct Expenses," and the "Sum of Total Direct Expenses and the Change in Undelivered Orders," (page 48), these are restraints within overall Congressional limitations. Only the terminology and method of aggregation have changed. These new administrative controls, combined with increased scope of expense accounting, tend to make mechanization and automation of the accounting system

imperative for successful and timely operation. While more flexibility in the management of financial resources is inherent within the PRIME system, there is continued and understandable hesitancy by comptrollers (financial managers) to completely discontinue the system of accounting under the traditional appropriation structure maintained by the Congress. In the words of Brigadier General Brown, USAF, "the advertised wages of these sins guarantee top priority to appropriation accounting systems."[1]

Congressional and service reaction to PRIME has been mixed. The Congress, while approving PRIME in principle, has been resistant to authorizing funds for its implementation and has stipulated that any existing funds diverted to the revision of the accounting system must receive the prior approval of Congress. It can be assumed that this resistance on the part of Congress has resulted, primarily, from the inability of the Department of Defense to identify a firm total cost of the system and its benefits over the existing appropriation structure and accounting system used by the Congress.

Similarly, the services share mutual reservations. Conceptually, all would agree with the theory of Project PRIME, i.e., improved management through a system of accounts that results in relating expenses to actual functions. All services

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[1]George E. Brown, Brigadier General, USAF, "Financial Information for Resources Management," Armed Forces Comptroller, p. 18.

would further agree and, as the cost of Project PRIME points out--nothing is free-- and PRIME is expensive.[1] There is no assurance that the increased visibility afforded by the system would result in significant savings or, in the long run, be worth the cost. These reservations, particularly in the area of motor transport services, have since been reaffirmed by PRIME Survey Team visits to selected field activities.

In the same vein, the charging of military personnel costs at standard rates to the field commander (user) is controversial; the field commander does not control the number or assignment of military personnel. This function, as well as financial responsibility, remains at Headquarters, Marine Corps. In a sense, the allocation of military personnel costs to the user is "window dressing," and could conceivably motivate the commander to report overages which would generate an expenditure rate exceeding his budget authority. On the other hand, with military personnel expenses constituting nearly 60 per cent of the total USMC budget, emphasis on these expenses at all levels makes it inevitable that the commander and his comptroller will become more cost conscious.

PRIME does not, as yet, offer incentive to effect economies; there are no specific provisions for the commander to profit by his economies, e.g., retention of personnel savings,

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[1]Edwin H. Simmons, Brigadier General, USMC, Briefing for the Commandant of the Marine Corps, at Headquarters, Marine Corps, on October 31, 1968.

or a portion thereof, by the commander to meet other needs. It would be difficult to conceive that the "state-of-mind," suggested by the President, whereby "cost reduction and minimal costs," and, perhaps, some deprivation, would be viewed as "profits" and in themselves a sufficient motivator.

Dr. Anthony later recognized the problem when he stated:

> The problem of motivation is the most difficult problem that we have to solve, and I frankly don't think we have found a good solution so far. People don't deliberately waste money, but neither do they put much attention towards saving money unless they have strong incentive to do so. . . .[1]

However, a desirable side effect should develop; the system will require that the services further refine their present methods of determining training and recruiting requirements and in the assignment of military personnel to insure efficient manpower utilization.

The "trade-off" option, now more clearly visible, particularly in the personnel area, is conceptually sound but somewhat stymied by established policies and legal precedents. These peripheral considerations may cancel out monetary benefits based on cost analysis. In the case of the Naval Training Center food services contract, the decision will be based probably on legal precedent, economic considerations notwithstanding.

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[1]Robert N. Anthony, "The Challenge of Service Accounting," an address before the American Accounting Association, on August 30, 1967.

Project PRIME is designed to provide an approved plan against which performance can be measured, variances analyzed, and adjustments made, as necessary, to permit more effective management of "available" resources. However, "available" resources are determined by the Congress, and may, therefore, be significantly changed to include reductions from original and valid proposals. As Verne B. Lewis, a noted writer on budget theory espoused regarding performance budgeting and applicable to PRIME:

> These data will show how many units are being done, but not how many should be done. . . . They may or may not give an indication of the quality of the work, but they leave unanswered the question of proper quality standards. . . . the end product of many agencies is not measurable by any means devised.[1]

What is more likely to occur is that the reporting system with its improved "visibility" to all echelons of review, including the Department of Defense, will reveal variances in operating costs between similar functions, perhaps in different services. Those commanders/managers reporting above-normal costs in comparison to their counterparts will be required to explain, explore alternatives, reduce costs to more normal levels, or possibly eliminate the function altogether.

As is characteristic of these times, there are always more requirements for resources (men and money), than there are resources available. Economies or savings in one area, if voluntarily offered, and their retention thoroughly justified

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[1]Verne B. Lewis, "Toward a Theory of Budgeting" in Planning, Programming and Budgeting: A Systems Approach to Management, p. 133.

for employment in other areas, would probably be withdrawn by higher headquarters and reallocated to meet what they consider higher priority needs.

Apparently, little has changed since Jesse Burkhead stated thirteen years ago that "budget execution should maintain flexibility at all levels of administration. The ideal system of budget execution can be defined simply but it is difficult of attainment."[1]

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[1]Jesse Burkhead, Government Budgeting, p. 342.

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